

Message Text

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ETRD, ENRG, WG

SUBJECT: VISIT OF STATE SECRETARY ROHWEDDER TO WASHINGTON
JUNE 28, 29

REF: BONN 8247

1. "SUMMARY" STATE SECRETARY ROHWEDDER, THE NUMBER TWO MAN IN THE ECONOMICS MINISTRY, IS COMING TO WASHINGTON PRIMARILY TO DISCUSS TRADE AND ENERGY QUESTIONS; HE IS A MAJOR PLAYER IN BONN ON TRADE POLICY AND THE CENTRAL FIGURE BEHIND THE FRG'S RAPIDLY EVOLVING NEW ENERGY POLICY. ON TRADE, ROHWEDDER WILL REFLECT BOTH THE EC LINE AND HIS MINISTER'S AND HIS OWN STRONG INTEREST IN A LIBERAL, FLEXIBLE EC MANDATE AND ADEQUATE COMPENSATION TO THE US IN CURRENT 24:6 NEGOTIATIONS. HE WILL BE VERY INTERESTED IN US PROPOSALS FOR ADVANCING 24:6 NEGOTIATIONS AND MTN PREPARATIONS. HE
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WILL PRESS HARD HIS VIEW THAT EXIM IS RISKING AN INDUSTRIAL COUNTRY SCRAMBLE FOR THE SOVIET MARKET BY THE CREDIT TERMS IT OFFERS IN US- SOVIET TRADE. ON ENERGY, ROHWEDDER IS ABOUT TO ACHIEVE THE FORMATION OF A POWERFUL GERMAN NATIONAL OIL COMPANY

AND IS TRYING HARD TO GET IT A SUPPLY AGREEMENT WITH IRAN (REFTEL). ROHWEDDER IS FAVORABLY DISPOSED TO CLOSE COOPERATION WITH US, BILATERALLY AND IN THE OECD; THE EC PLAYS LITTLE ROLE IN FRG ENERGY PLANS AT THIS POINT. END SUMMARY.

2. ROHWEDDER AND HIS PARTY HAVE AN EXCELLENT SCHEDULE IN WASHINGTON, WHICH WE HOPE CAN BE MAINTAINED. AN ATTRACTIVE AND RISING FIGURE ON FRG ECONOMIC POLICY SCENE, ROHWEDDER IS BASICALLY FAVORABLY DISPOSED TO US CONCERNS, BUT HE IS ALSO A TOUGH NEGOTIATOR. HE WILL BE ACCOMPANIED BY THREE OF HIS ABLEST DEPUTIES, ASSISTANT SECRETARIES HELGA STEEG (TRADE), ULF LANTZKE (ENERGY) AND THE DIRECTOR OF THE OFFICE OF TRADE POLICY, GERHARD ABEL. ALL FOUR SPEAK EXCELLENT ENGLISH. ROHWEDDER'S MINISTRY WITHIN THE FRG SYSTEM, CALLS VIRTUALLY ALL THE SHOTS ON ENERGY, WITH THE EXCEPTION OF ATOMIC ENERGY, AND IS PRIMARILY RESPONSIBLE FOR TRADE POLICY, OTHER THAN AGRICULTURE.

3. ON US- EC TRADE ISSUES ROHWEDDER AND THE ECONOMICS MINISTRY GENERALLY REFLECT THE FRG'S STRONG INTEREST IN AN ACCEPTABLE-- TO THE US-- OUTCOME OF THE MTN AND 24:6 NEGOTIATIONS, AS WELL AS A SMOOTHER US- EC WORKING RELATIONSHIP OVER THE LONGER TERM. THE BASIS OF THIS INTEREST IS BASICALLY POLITICAL AND SECURITY AND LARGE UNINHIBITED BY THE INTERESTS OF GERMAN INDUSTRY, WHICH IT IS ROHWEDDER'S JOB TO PROTECT. THEREFORE, WHILE NOT DEPARTING TOO FAR FROM THE EC LINE, ROHWEDDER WILL BE VERY INTERESTED IN EXPLORING US PROPOSALS FOR MOVING 24:6 NEGOTIATIONS TO THE COMPENSATION QUESTION. HIS MINISTER, IT SHOULD BE NOTED, HAS MAINTAINED PUBLICLY FROM THE BEGINNING OF 24:6 DISCUSSIONS THAT THE EC SHOULD, ON A PRAGMATIC BASIS, PAY NEGOTIATED COMPENSATION TO THE US.

4. MISS STEEG WILL BE COMING TO WASHINGTON DIRECTLY FROM THE EC COUNCIL SESSION IN LUXEMBOURG JUNE 25 AND 26. SHE AND ROHWEDDER WILL, THEREFORE, BE FULLY INFORMED ON ANY RESULTS OF THIS MEETING REGARDING THE EC'S GLOBAL APPROACH FOR THE MTN, MEDITERRANEAN POLICY AND EC ARRANGEMENTS WITH THE AFRICAN ASSOCIATES AND COMMONWEALTH ASSOCIABLES. EVEN THOUGH THE FRG HAS BEEN HELPFUL TO LIMITED OFFICIAL USE
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US ON REVERSE PREFERENCES AND OTHER ASSOCIATION ISSUES, WE SHOULD NOT PASS UP AN OPPORTUNITY TO UNDERLINE IN WASHINGTON THE IMPORT-ANCE OF US VIEWS ON THESE ISSUES.

5. WHILE THE ECONOMICS MINISTRY IS NOT A MAJOR VOICE ON AGRI-CULTURAL POLICY, IT HAS BEEN A CLEARLY LIBERAL VOICE, AT TIMES PUTTING SOME PRESSURE ON THE MINISTRY OF AGRICULTURE TO MOVE FASTER IN ITS OWN RE- THINKING OF PRICE RELATIONSHIP AND ALTER-NATIVE SUPPORT MECHANISMS. ROHWEDDER WILL UNDOUBTEDLY BE ANXIOUS TO LEARN WHETHER RECENT US DEVELOPMENTS REFLECT SLACKENED INTEREST IN AN PRESSURE FOR ACCESS TO THE EC GRAIN MARKET.

6. ROHWEDDER BELIEVES FIRMLY THAT EXIM BANK' S 6 PERCENT INTEREST RATE ON DIRECT CREDITS TO THE SOVIET UNION CONSTITUTES AN " UNFAIR TRADE PRACTICE." HE WILL PRESS THIS VIEW IN WASHINGTON, POINTING OUT THAT GERMAN INDUSTRY WILL WISH HIM TO CONSIDER MATCHING THESE TERMS IF THE EXIM PRACTICE DOES NOT CHANGE.

7. ON ENERGY, ROHWEDDER, AS WELL AS LANTZKE, HAVE BEEN THE FIGURES THAT HAVE IN ONE YEAR' S TIME MOVED THE GOVERNMENT FROM A PASSIVE ROLE IN THE FRG' S PETROLEUM SUPPLY AND MARKET TO A VERY ACTIVE (AND SOONE EXPENSIVE) ONE. HIS GOALS ARE: 1) TO FORM A SINGLE, POWERFUL NATIONAL GERMAN OIL COMPANY WITH INITIALLY AT LEAST ONE- QUARTER OF THE MARKET, 2) TO EXPAND THIS COMPANY' S SHARE OVER COMING YEARS AND 3) TO TIE IT INTO THE NATIONAL PRODUCING COMPANIES IN THE SUPPLYING COUNTRIES, PARTICULARLY IRAN.

8. TO MEET THE FIRST TWO GOALS ROHWEDDER HAS APPARENTLY CONVINCED HIS MINISTER TO HAVE THE GOVERNMENT SUPPLY THE LARGEST GERMAN INDEPENDENT OIL COMPANY, VEBA, WITH THE INCREASED CAPITAL NEEDED TO ABSORB TWO OF THE GERMAN INDEPENDENT OIL COMPANIES (GELSENBERG AND UK WESSELING). THIS ACQUISITION WOULD MAKE THE RESULTING SUPER- VEBA THE NUCLEUS OF A GIANT NATIONAL GERMAN OIL COMAPNY. THE NEW SUPER- VEBA WOULD NOT ONLY BECOME GERMANY' S LARGEST REFINER, BUT ALSO HAVE MAJORITY CONTROL OF BOTH THE LARGE ARAL MARKETING NETWORK AND DEMINEX (THE GERMAN OVERSEAS EXPLORATION AND PRODUCTION COMPANY). AN INTERESTING OPEN QUESTION IS WHETHER THE GOVERNMENT WILL SEEK MAJORITY CONTROL OF THE NEW SUPER- VEBA; IT OWNS 40 PERCENT OF THE PRESENT VEBA FIRM.

8. ROHWEDDER AND LANTZKE DO NOT VIEW THESE PLANS AS BEING CON-
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TRARY EITHER TO THE US INTEREST OR TO THAT OF THE US INTER-
NATIONALS IN GERMANY(WHO HAVE PLANNED ON A DECLINING MARKET SHARE
HERE IN ANY EVENT). ON THE CONTRARY, ONE OF ROHWEDDER' S OBJECTIVES
IS TO PUT THE FRG IN A BETTER (STRONGER) POSITION TO COOPERATE
INTERNATIONALLY, WITH US AS WELL AS PRODUCER COUNTRIES.
ROHWEDDER AND LANTZKE ARE ANXIOUS TO SEE OECD COUNTRY COOPERATION
CRYSTALIZE INTO CONCRETE PROPOSALS AND VENTURES-- PARTICULARLY ON
SHARING IN SHORT- TERM CRISIS SITUATIONS. A MAJOR PURPOSE OF
ROHWEDDER' S TRIP IS TO GAIN A BETTER FEEL FOR US THINKING ON
CONSUMER COUNTRY COOPERATION. HILLENBRAND

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